

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7253

BILL NUMBER: HB 1004

NOTE PREPARED: Jan 27, 2017

BILL AMENDED:

SUBJECT: Prekindergarten Education.

FIRST AUTHOR: Rep. Behning

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State

Summary of Legislation: This bill has the following provisions:

Early Education Matching Grant: The bill allows the Division of Family Resources (DFR) to award an Early Education Matching Grant (EEMG) to an eligible developer that:

- (1) submits an expansion plan to the Division that details the eligible developer's plan to:
 - (A) increase the capacity of providers of eligible services to serve a greater number of eligible children;
 - (B) increase the number of providers of eligible services; or
 - (C) increase capacity of and increase the number of providers; and
- (2) meets certain other requirements.

It prohibits DFR from using more than a total of 20% of the money in the EEMG Program Fund each state fiscal year for grants awarded to eligible developers for expansion plans.

Household Income Requirements: The bill amends household income requirements for eligibility of a child for the:

- (1) EEMG Program; and
- (2) Early Education Pilot Program (Pilot Program).

Pilot Program: The bill provides that the Pilot Program may include eligible providers from 10 (instead of 5) counties. It also amends the amount of grant money an eligible child may receive under the Pilot Program based on annual household income.

In-Kind Funds: It provides that in-kind funds, as determined by the Office of the Secretary of Family and Social Services, meet the requirements regarding matching funds under the EEMG and the Pilot Program.

The bill changes references to the "pilot program" to the "prekindergarten pilot program".

Choice Scholarship Student: The bill provides that:

- (1) an individual who:
 - (A) receives an early education grant under the Pilot Program in the immediately preceding school year or received eligible services as an eligible child under the EEMG program in the immediately preceding school year from a provider that received an early education matching grant; and
 - (B) is a member of a household with an annual income of not more than 200% of the amount required to qualify for the federal free or reduced price lunch program;is an eligible Choice Scholarship student; and
- (2) the individual is entitled to receive at least 50% of the state tuition support amount.

Repeals: The bill repeals a provision that provides that the receipt of a grant under the Pilot Program does not qualify, nor have an effect on the qualification or eligibility, of a child for a Choice Scholarship. It also repeals an expired provision concerning the Pilot Program.

Effective Date: July 1, 2017.

Explanation of State Expenditures: *Summary:* The bill is expected to increase spending on early childhood education between \$7.4 M and \$14.8 M, depending on decisions of the Office of Family and Social Services in determining in-kind contributions, the DFR in awarding grants, and the ability of local communities to develop early childhood education capacity and contributions.

Included in the total estimated impact above are the following components: expanding the number of counties for the prekindergarten pilot program, raising the maximum income level of recipients, and increasing the base stipend. These provisions are estimated to be \$1.3 M to \$4.1 M a year in addition to the \$8.3 M currently spent for the program. Assuming matching contributions are available, grants to eligible developers would add about \$200,000 to the EEMG program expenses, if all the grant money available is awarded. Also, the bill will increase expenditures on the Choice Scholarship by an estimated \$5.9 M to \$10.5 M annually.

The bill does not make an appropriation.

Additional Information - Early Education Matching Grant: The bill would allow up to 20% of the grant money to be provided to eligible developers with plans that create additional capacity for preschool education. An eligible developer may also receive one additional grant as an eligible provider. If capacity is expanded, more providers may qualify for grants and more children may be eligible for tuition grants from the Pilot Program.

Pilot Program: The bill changes the family income qualifications from 127% of the federal poverty level (FPL) (equal to \$30,861 for a family of four) to 150% of the qualification for the free or reduced lunch price

program (up to \$67,433 for a family of four). The income qualification for free lunch is 130% FPL and for reduced lunch it is 185% FPL, increasing the number of eligible families. Statewide, there are estimated to be 82,787 4-year-olds total; about 25,901 are estimated to be at or below 127% FPL, while about 61,688 are estimated to be at or below 150% free or reduced lunch program level. This suggests that the potential population for this program would more than double, depending on the 10 counties chosen to participate in the pilot program. (The pilot program would expand from 5 counties to 10 counties, without regard to present participation.) The table below illustrates the different potential number of children receiving services, assuming a participation rate similar to the current pilot program.

Scenerio	# of 4-YO Eligible	# of 4-YO Participating	Total Cost* (\$ M)
5-County Pilot (current)	9,155	1,585	\$8.3
5-County Pilot, plus 5 Counties at Median Population	10,560 - 10,860	1,828 - 1,880	9.6 - 12.4
Largest 10 Counties	23,592 - 28,251	4,084 - 4,891	25.0 - 27.8
Smallest 10 Counties	1,079 - 1,316	187 - 228	1.2 - 1.3

*Total cost was calculated using the maximum stipend of \$6,800 and the average of the stipend range, \$5,100.

Through the Pilot Program (On My Way Pre-K), the FSSA made grants between \$2,500 and \$6,800 per eligible child per fiscal year with a total spending limit of \$10 M per year. In the 2015-2016 school year, 1,585 children received \$8.3 M for tuition grants, or an average expenditure of about \$5,237 per child.

Under the bill, a child with a family income not more than the amount of the free or reduced lunch program could receive up to \$6,800, and a child with a family income up to 150% of the free or reduced lunch program could receive a tuition grant up to \$3,400.

Choice Scholarship Student: According to the Early Learning Commission Funding Analysis in 2016, 408 children participated in the EEMG program and 1,893 participated in the Pilot Program. As more students participate in the EEMG and Pilot Programs, more Choice Scholarships would be awarded.

The impact on state expenditures from expanding Choice Scholarship pathways will depend on the size of the award and whether the student would attend public school in the absence of a scholarship. For example:

- The state spends \$5,088 per student plus other grants for public school students.
- The state does not spend money on private school children who do not receive a Choice Scholarship.

If EEMG and Pilot Program children received 50% of the tuition support amount (currently \$5,088 per student) and they would not attend public school otherwise, there would be an increase in expenditures of \$5.9 M annually based on the number of current recipients in the existing programs. If all of these children received 90% of the tuition support amount, expenditures would increase by \$10.5 M annually. The current school funding formula is repealed on July 1, 2017.

It is possible that some of these children would have already qualified for a Choice Scholarship under one of the other pathways. Public schools will experience a decrease in revenue equal to the tuition support and accompanying grants they would have received for any child that enrolls in private school instead of public school.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: See *Explanation of State Expenditures*.

State Agencies Affected: Division of Family Resources; Office of Family and Social Services; Department of Education.

Local Agencies Affected: Local schools; Choice Scholarship schools.

Information Sources: *Early Learning Commission Funding Analysis* (2016), Raw data provided by the Department of State Revenue and U.S. Census Bureau, analysis performed by the Office of Fiscal and Management Analysis.

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